The Structural Fallacy: Game-Theoretic Failures and Systemic Incoherence in the Online Labor Market

Sarah Springsteen Trumble — The Job Applicant Perspective

Abstract

Online hiring platforms—from LinkedIn and Indeed to ATS vendors—present themselves as efficient labor marketplaces, yet by every measure of stability they fail. Job seekers apply hundreds of times without response, employers report "talent shortages," recruiters burn out managing churn, and policymakers cling to outdated skills-gap narratives.

Building on established frameworks in game theory, systems theory, sociology, and ethics, I provide a conceptual synthesis that demonstrates why online hiring markets produce non-convergent dynamics. I frame online hiring as a two-player strategic game in which platforms enforce a perspective collapse, structurally erasing the lived experience of job seekers and transforming the marketplace into a one-sided, extractive system.

This paper makes three core theoretical claims: (1) The online labor market functions as a broken signaling game where information has lost its meaning. (2) Platforms profit from this structural incoherence by monetizing the churn and uncertainty that this instability creates. (3) Trust and review infrastructure are not optional add-ons but structural requirements; a marketplace cannot remain legitimate if it profits from mandatory participation while silencing participants' ability to evaluate their experience.

This paper offers a mechanism-level account with testable predictions, showing why these failures are structurally predictable in platform-mediated segments under current incentives.

1. Introduction: A System That Should Work — But Doesn't

Over the past 25 years, the U.S. labor market has been fully digitized. What was once mediated through physical résumés, personal referrals, and local job boards has shifted to an ecosystem dominated by online platforms — LinkedIn, Indeed, ZipRecruiter, Workday, Greenhouse, and hundreds of ATS vendors. This shift promised efficiency, transparency, and meritocracy.

It delivered the opposite.

Job seekers now submit hundreds of applications and hear nothing back. Employers report "talent shortages" while millions of qualified résumés remain trapped in automated screening systems [Harvard HBS *Hidden Workers* Report, 2021]. Recruiters burn out chasing ghost candidates for ghost jobs [Raghavan et al., 2020], while policymakers rely on outdated "skills-gap" narratives that fail to explain the mismatch.

These are not isolated failures — I show they are predictable outcomes of the market's structural design. Platforms that mediate hiring have optimized for volume and churn rather than stability, creating a system that benefits from instability while participants absorb the cost. While some of these frictions predate the digital era, I argue that platforms have transformed them from market inefficiencies into a structural business model that profits directly from instability.

Building on frameworks from game theory, systems theory, sociology, and platform economics, I show that the online hiring market behaves as a structurally non-convergent system: under current architectures, equilibrium is functionally impossible because incentives drive persistent misalignment.

1.1 Online hiring platforms function as broken signaling games.

Drawing on Spence's signaling theory [1973] and subsequent developments in game-theoretic labor economics [Horton, 2017], I show that résumés, job postings, and offers no longer reliably signal skills, demand, or opportunity. When these signals fail, strategies break down: job seekers optimize for algorithms, employers over-filter, and recruiters over-engage. The result is churn, not matching.

1.2 Platforms profit from coercive asymmetries.

In a labor market where participation is mandatory for accessing food, shelter, and healthcare, online hiring platforms generate billions in annual revenue from unpaid job-seeker labor [Zuboff, 2019]. Yet job seekers are structurally silenced: they cannot review employer quality without risking retaliation, and their lived experiences — ghost jobs, exploitative processes, broken funnels — are excluded from both platform design and public policy discourse.

A marketplace where stakeholders cannot signal back is not a functioning market. It's a one-way extraction system.

1.3 Without rebuilding trust and review infrastructure, equilibrium is impossible.

Borrowing from Bonhoeffer's concept of perspective collapse [1942] and Meadows' work on feedback loops [2008], I show that suppressing job-seeker feedback blinds the system to its own failures. A labor market that cannot incorporate the perspectives of all stakeholders will produce distorted information flows, broken incentives, and compounding instability.

My goal is not to provide a formal mathematical proof but to map a conceptual framework for understanding why these failures are systemic, predictable, and structurally predictable under current incentives in platform-mediated segments. I integrate insights from game theory, platform economics, systems science, and sociology to explain why online hiring markets destabilize — and to propose design principles for restoring coherence and rebuilding trust.

2. Online Hiring as a Game-Theoretic System

The online labor market behaves like a multi-player strategic game. Job seekers, employers, recruiters, policymakers, and platforms make decisions that influence one another's incentives. But unlike many markets where information is shared transparently, online hiring platforms create asymmetries: some players are modeling the game fully, others are operating blind, and platforms actively shape the rules without disclosing them.

I show that the assumptions underpinning game-theoretic labor models — assumptions economists already trust — are repeatedly violated in online hiring, producing structural instability rather than convergence.

2.1 Signaling Games and Broken Meaning

In classic signaling theory, Spence [1973] showed that job seekers send costly signals — degrees, résumés, portfolios — and employers interpret those signals to infer productivity. The game works when signals are credible and interpretable.

Online hiring platforms have broken this foundational loop:

- Résumés are keyword-stuffed to satisfy opaque ATS algorithms [Raghavan et al., 2020].

- Job postings frequently misrepresent roles, inflating both demand and supply signals [Harvard HBS *Hidden Workers* Report, 2021].
- Employers often leave postings live after roles are filled, creating "ghost jobs" that distort strategic decision-making.

When signals no longer map to reality, players cannot optimize their strategies. Job seekers scatter applications indiscriminately. Employers over-filter. Recruiters chase volume over fit. Instead of stabilizing, misaligned incentives compound.

I show that online hiring now functions as a broken signaling game: information exists, but its meaning has collapsed.

2.2 Nash Equilibrium That Never Arrives

A central concept in game theory is the Nash equilibrium [Nash, 1950] — the point where no player can improve their outcome by unilaterally changing strategy.

I show that online hiring cannot reach equilibrium under current platform designs:

- Job seekers optimize for algorithmic visibility, not skill alignment.
- Employers optimize for filtering volume, not matching humans to roles.
- Platforms optimize for engagement churn, not hiring outcomes.

This creates strategic arms races:

- More résumé spam → tighter ATS filters → more résumé spam → even tighter filters.
- More "ghost jobs" → more desperate mass applications → more user engagement → platforms profit.

Every adaptation triggers counter-adaptation, pushing the system further from balance. Instead of convergence, strategies heat up indefinitely.

2.3 Repeated Games and the Erasure of Memory

Game theory predicts that repeated interactions stabilize behavior: players remember one another's choices, and reputation enforces accountability [Fudenberg & Maskin, 1986].

Online hiring platforms have erased market memory:

- No visibility into employer ghosting rates.
- No shared data on recruiter follow-through or hiring funnel quality.
- No persistent reputational signals that could enforce better behavior.

Every interaction resets to Round One — even if the same players interact hundreds of times. Without shared memory, trust collapses. Players retreat into defensive strategies: seekers mass-apply, employers over-gatekeep, recruiters over-message.

I show that the absence of feedback loops guarantees churn: a marketplace that cannot remember cannot stabilize.

2.4 Incomplete Information and Weaponized Opacity

Game theory assumes players make strategic choices based on beliefs about other players' actions. But when information is systematically hidden, strategies fail.

Platforms intentionally amplify this instability:

- Hiding job status (open vs. filled) drives additional seeker engagement.
- Burying salary ranges creates incentive misalignment and churn [Pasquale, 2015].

- Deploying opaque ranking algorithms manipulates visibility rules faster than seekers or employers can adapt.

These outcomes are incentive-compatible with engagement-based revenue models.

By destabilizing the game, platforms profit from churn while externalizing risk onto job seekers and employers.

2.5 Boundary Conditions: Where Stability Persists

While this paper focuses on platform-mediated hiring markets where opacity, missing feedback, and high-volume automation dominate, some hiring environments behave differently.

In these segments, functional tension and trusted signals are preserved through alternative mechanisms:

- Union Hiring Halls & Licensed Trades

  Hiring for electricians, welders, and some construction roles often stabilizes because union halls maintain shared memory, transparent pay scales, and enforceable accountability between employers and workers.

- Elite Campus Recruiting & Referral-Based Hiring

  At the top of the labor market, reputation substitutes for missing review layers. Targeted employer-branding, alumni networks, and internal referrals compress uncertainty, preventing churn.

- Internal Mobility Programs

  Where employers prioritize internal candidates and track quality signals longitudinally,

participants operate in a closed-loop system with higher trust and less platform dependency.

- Public Job Centers & Regulated Pipelines

  Some local and federal programs enforce transparency around wages, hiring funnels, and open positions. While coverage is limited, these interventions produce more efficient matching.

These counterexamples don't undermine the model — they validate it. Where shared feedback, reputation, and multi-perspective signals exist, hiring stabilizes. Where platforms suppress those signals, hiring destabilizes.

In other words, the non-convergence result is conditional, not universal: the mechanism predicts precisely where opacity will create structural churn and where transparent feedback loops will sustain balance.

Section 2 Summary

Game theory assumes markets stabilize when signals are interpretable, strategies converge, and repeated play enforces accountability. I show that online hiring platforms violate all three assumptions:

1. Signals are corrupted.
2. Strategies spiral into arms races.
3. Market memory has been erased.

The result isn't inefficiency at the margins — it's structural incoherence. Platforms operate less like marketplaces and more like perpetual churn engines, where stability is neither incentivized

nor possible.

3. The Structural Fallacy: Treating a Two-Player Game as One

At the heart of the game-theoretic failures described in Section 2 is a single, foundational fallacy: online hiring platforms approach a two-player strategic game as if it were a one-player exercise in optimization.

In classic game theory, a system's stability depends on all players recognizing and modeling the other players' strategies. A two-player game requires both participants to be visible and to be operating under the same rules.

I show that the online labor market has collapsed this critical symmetry. While job seekers behave as if they are in a two-player game—making strategic choices based on beliefs about employer behavior—the platform and its dominant players (employers) operate under a perspective monopoly. They have erased the job seeker's lived experience from their data models and their strategic frameworks.

Drawing on Bonhoeffer’s concept of perspective collapse, I argue that this is not an accidental oversight but a systemic condition. When a system can only perceive a single, dominant narrative, it loses the ability to perceive reality. It becomes functionally blind to the motivations, strategies, and costs absorbed by the other players.

The result is a structurally non-convergent system:

- From the job seeker's perspective, they are engaged in a strategic game. They try to send credible signals (resumes) and adapt their strategies to a complex and unpredictable environment.

- From the platform's and employer's perspective, there is no other player. There is only a single-player problem to solve: how to optimize for volume, how to filter a flood of inbound applications, and how to maximize engagement.

This is the core fallacy. A system cannot reach equilibrium when one player has functionally erased the other. All of the failures described in game theory—broken signals, spiraling arms races, and the absence of market memory—are direct consequences of this one-player delusion. The system's inability to see its participants as valid players in a two-sided game is the source of its dysfunction.

At the heart of the instability in online hiring markets is a deeper epistemic failure: platforms enforce a single dominant perspective — the employer's — while structurally erasing others.

Drawing on Dietrich Bonhoeffer's concept of perspective collapse [1942], I show that when systems suppress competing frames of reference, they lose the ability to accurately perceive reality. Bonhoeffer warned that institutions become incoherent when they cannot accommodate multiple perspectives; they generate false stabilization by privileging one narrative while silencing others.

Online hiring platforms replicate this collapse at scale:

- Employers' needs and narratives dominate system design.
- Job seekers' experiences — ghosting, misinformation, recruiter churn — are excluded from both data models and policy conversations.

- Public institutions reproduce platform incentives, embedding a single viewpoint into workforce strategy.

This isn't just an analytic blind spot. It's profitable.

Platforms benefit from collapsing perspectives because the resulting instability drives engagement:

- Confused job seekers submit more applications.
- Employers overpost roles, generating inflated "opportunity signals."
- Recruiters churn candidates through incomplete or broken funnels.

Instability becomes incentive-compatible with engagement-based revenue models.. Platforms extract value from participation while externalizing risk onto job seekers, employers, and even policymakers.

3.1 Perspective Monopolies Are Coercive

Any time a marketplace requires participation but permits only one structural frame of reference, coercion emerges by design.

For most working-age adults, using online hiring platforms is not optional. To secure food, housing, healthcare, and stability, participation in these systems is functionally mandatory. But the power to interpret, classify, and model the experience of participants is concentrated in platform hands — and overwhelmingly reflects the employer's viewpoint.

I show that this asymmetry transforms platforms from marketplaces into compulsory economic utilities:

- Job seekers' unpaid time, attention, and data generate billions in annual revenue for platforms [Zuboff, 2019].
- Despite being the primary labor input sustaining these markets, job seekers have no power to influence system design.
- Worse, they are structurally silenced: speaking openly about exploitative experiences risks retaliation or reputational harm.

This erasure is not incidental — it is architectural. Platforms are designed to model participants as inventory, not stakeholders. Their presence is monetized, but their perspectives are excluded.

3.2 The Restaurant Analogy: Legitimacy and Reciprocity

Imagine a five-star restaurant where every citizen is required to eat daily in order to survive. The restaurant earns billions annually from diner participation — but bans reviews. Diners cannot share if the food was cold, contaminated, or never arrived.

No economist, policymaker, or systems theorist would call that a functioning marketplace. Without the ability for stakeholders to signal back, the restaurant isn't selling meals. It's extracting compliance.

Online hiring operates under the same distortion:

- Participation is mandatory.
- Profits are enormous.
- Signals are silenced.

This is not an open marketplace — it's a one-sided value capture system.

3.3 Platforms Create Epistemic Blindness

By privileging one perspective while suppressing another, platforms cannot model the very dynamics they depend on:

- They measure engagement instead of matching outcomes.
- They optimize for churn instead of stability.
- They assume volume equals opportunity, ignoring player beliefs and human strategy entirely.

This epistemic blindness compounds the failures described in Section 2:

- Without multi-perspective feedback, signaling games collapse.
- Without shared memory, trust mechanisms break.
- Without transparency, strategic adaptation fails.

I show that the result is a designed incoherence: a hiring marketplace incapable of perceiving its own dysfunction while profiting from the churn it creates.

3.4 Implications: Rights of Review Are Structural, Not Optional

If platforms profit from mandatory participation, participants have the right to review their experience to protect one another and improve outcomes. This is not a luxury; it is the foundation of market legitimacy:

- A market that suppresses review signals suppresses truth.
- Without stakeholder-driven feedback, false stability dominates system design.

- Reintroducing reciprocal transparency — where participants can signal back — is the only way to restore functional coordination.

This principle directly underpins the design of The Job Applicant Perspective (TJAP): a crowdsourced, anonymous feedback layer designed to return agency, visibility, and shared memory to job seekers while improving collective intelligence for all market participants.

Section 3 Summary

Bonhoeffer helps us see why platforms fail epistemically; Zuboff helps us understand how they profit; and your synthesis — the concept of perspective monopolies as coercion — shows why suppressing job-seeker review rights guarantees market collapse.

I show that no marketplace can remain legitimate if it requires participation, profits from engagement, and silences stakeholders' ability to signal back.

4. Rebuilding Trust Infrastructure

The failures of the online hiring market are not the result of individual bad actors or isolated inefficiencies. They are structural design flaws.

I show that the absence of reciprocal transparency — the ability for all stakeholders to send, receive, and interpret signals — produces a system that cannot stabilize. Fixing this is not about improving résumé templates or tweaking algorithms. It requires rebuilding the missing trust layer at the heart of the marketplace.

4.1 Why Trust Is Not Optional

From a game-theoretic perspective, reputation mechanisms stabilize repeated games [Fudenberg & Maskin, 1986]. When players can remember each other's past actions, they adjust strategies toward cooperation:

- Employers improve processes to protect their reputation.
- Job seekers target higher-quality applications.
- Recruiters filter roles more responsibly.

Without persistent, shared feedback, defensive strategies dominate: job seekers mass-apply, employers over-gatekeep, and recruiters churn inboxes. Platforms currently profit from this breakdown — but the churn creates long-term fragility.

I show that markets where feedback loops are removed cannot converge on equilibrium. Repairing this dynamic requires designing for mutual visibility.

4.2 Restoring Shared Memory

Systems theorists like Donella Meadows [2008] show that when information flows fail, systems become unstable. In hiring markets, missing memory leads to collective amnesia:

- Job seekers don't know which jobs are ghost roles.
- Employers don't see their true reputation with candidates.
- Policymakers operate on distorted data that hides systemic failure.

Without memory, every interaction resets to Round One. A healthy marketplace depends on shared signals: everyone must be able to see and interpret the system's performance, not just the platforms monetizing it.

4.3 The Job Applicant Perspective (TJAP) as Proof of Concept

This is where The Job Applicant Perspective (TJAP) comes in — not as a competitor to LinkedIn or Indeed, but as a case study in repairing the missing trust layer.

TJAP introduces three design principles that directly address the failures mapped in Sections 2 and 3:

1. Anonymous Job Ad Reviews

Job seekers can flag ghost jobs, broken funnels, exploitative practices, and fraudulent postings without risking retaliation. This introduces transparent signaling where none existed before.

2. Crowdsourced Hiring Feedback

By pooling thousands of experiences, TJAP restores shared memory to the market. Reputation — the stabilizing force in repeated games — is rebuilt collectively rather than being controlled by platforms.

3. Shared Market Signals

TJAP surfaces signals that platforms currently hide:

- Which employers repeatedly ghost candidates.
- Which postings are consistently unfilled.
- Which processes drive candidate attrition.

When seekers, employers, recruiters, and policymakers see the same map of reality, coordination becomes possible again.

4.4 Why This Is Structural, Not Optional

This isn't about innovation. It's about repairing a broken feedback system. Platforms stripped the labor market of its trust infrastructure when they removed reputation mechanisms and silenced job-seeker experience.

I show that no amount of AI-driven matching, résumé optimization, or funnel automation can fix a marketplace where stakeholders cannot communicate truthfully about their experience. Without reciprocal signaling, the math never closes.

Reintroducing a trust layer:

- Reduces churn → fewer mass applications, fewer ghost postings.
- Restores equilibrium → incentives realign around outcomes, not engagement.
- Rebuilds civic stability → the labor market starts functioning like a marketplace again, not a monetized lottery.

4.5 Platforms Profit Now — But Fail Later

A common objection is that platforms "work" because they generate billions in revenue. But profitability today is a poor proxy for systemic health.

I show that the same practices driving short-term platform profit — hidden signals, endless churn, and coerced participation — directly undermine the long-term stability of the U.S. labor market.

Like any system dependent on opaque extraction, the trust deficit compounds until collapse becomes inevitable. Adding review-driven transparency is not an upgrade; it is a structural correction required to avoid systemic failure.

Section 4 Summary

The hiring market cannot stabilize under current architectures because it lacks the trust infrastructure required for strategic coordination. I show that by restoring shared memory, reciprocal transparency, and multi-perspective feedback, we repair the game-theoretic foundations of the labor marketplace itself.

The Job Applicant Perspective (TJAP) demonstrates what this looks like in practice. It is not a competitor to existing platforms but a proof of concept: an example of how markets function when participants can see, signal, and coordinate around reality.

5. The Obedience Economy: Conditional Belonging and Structural Collapse in Online Labor Markets

Definitions (operational):

Conditional belonging — Visibility contingent on platform ranking criteria (e.g., ATS parse score $\geq \tau$) rather than employer-defined job criteria.

Engineered compliance — Behavioral adaptation to opaque algorithmic features, observable via changes in keyword density, paid boosts, and edit frequency.

Structural non-convergence — Persistent escalation of seeker/employer counter-moves under dynamic, opaque ranking rules, preventing stabilization.

Online hiring platforms promise efficiency and access, but their architecture has produced a labor market defined by instability, opacity, and escalating misalignment. Beneath the churn lies a deeper systemic pattern: by collapsing all perspectives into the employer's frame, platforms engineer a market where belonging is conditional, compliance replaces competence, and strategies never converge.

This is the Obedience Economy: a structurally designed feedback loop where job seekers must continually adapt to shifting algorithmic rules that do not reflect employer needs — producing instability that platforms profit from and perpetuate.

5.1 Perspective Collapse: Erasing Multi-Sided Reality

Bonhoeffer's concept of *perspective collapse* [1942] describes institutions that privilege one frame of reference while suppressing others, producing epistemic blindness. Online hiring platforms replicate this dynamic at scale:

- Employer narratives and preferences dominate system design, ranking criteria, and optimization metrics.
- Job seekers' experiences — ghosting, broken funnels, retaliation fears — are excluded from platform data models and hiring policy discourse.
- Public workforce strategies reproduce this bias, embedding employer-centric assumptions as the only valid perspective.

By enforcing a single dominant frame, platforms remove the possibility of reciprocal signaling between stakeholders. The marketplace stops behaving like a coordination system and begins behaving like a one-sided extraction engine.

5.2 Conditional Belonging: Visibility as a Contingent State

In a functional labor market, visibility reflects alignment between candidate capabilities and employer needs. In the platform-mediated system, visibility is conditional: access to opportunity depends on performing algorithmic legibility, not demonstrating real fit.

Job seekers are structurally required to satisfy criteria defined by the platform itself:

- Optimizing résumés for ATS parsing rather than employer comprehension.
- Tuning keywords for LinkedIn or Indeed's ranking systems instead of the role's actual qualifications.

- Purchasing boosts or premium services to meet visibility thresholds, independent of skill alignment.

Belonging to the labor market no longer rests on competence or value — it rests on satisfying opaque, shifting platform rules. Job seekers adapt not to employers, but to the scoring logic of intermediary systems.

5.3 Engineered Compliance: Training Adaptation to Algorithms

Because platform rules are opaque and constantly evolving, participants are locked into a cycle of engineered compliance: repeatedly adapting behavior to serve algorithmic preferences rather than genuine hiring needs.

This dynamic has three reinforcing effects:

1. Behavioral Reorientation — Candidates invest increasing effort into "gaming" platform visibility rather than demonstrating capability.
2. Signal Distortion — Résumés, profiles, and applications become decoupled from real skills, eroding employers' ability to evaluate fit.
3. Perpetual Precarity — Platforms maintain structural power by ensuring participants cannot know, predict, or stabilize the rules governing their visibility.

This compliance isn't incidental — it emerges directly from the design incentives of platforms. By controlling the ranking criteria and obscuring feedback loops, they train job seekers to prioritize serving platform objectives over securing actual employment.

5.4 Structural Misalignment: Platforms, Not Employers, Become the Audience

As engineered compliance deepens, employer-facing signals decay. Candidates increasingly optimize for algorithmic scoring systems that employers neither control nor fully understand:

- Résumés are keyword-stuffed to satisfy machine parsing, losing interpretability.
- Job postings remain live after roles are filled, inflating "opportunity signals" that distort strategic decision-making.
- Engagement metrics — not hiring outcomes — drive platform optimization.

This creates a widening structural gap: seekers and employers are no longer coordinating with each other, but with platform rules acting as an opaque intermediary. Instead of matching humans to roles, the system rewards behaviors that maximize engagement volume, clicks, and churn.

5.5 Non-Convergence: The Algorithmic Arms Race

In game-theoretic terms, platform-mediated hiring has become a structurally non-convergent system. Every strategic adaptation by one actor triggers counter-adaptations by others, creating an endless escalation cycle:

- More résumé optimization → stricter ATS filtering → even more optimization.
- More job postings (including ghost jobs) → more mass applications → deeper employer gatekeeping.
- More engagement-driven ranking adjustments → participants must continuously relearn visibility rules.

Because the conditions of "winning" are dynamic and opaque, strategies cannot stabilize. A Nash equilibrium — where no actor can improve outcomes unilaterally — becomes functionally impossible.

Platforms profit from this perpetual instability: more applications, more optimization tools, more ad impressions, more dependency. But the labor market loses its capacity to coordinate, consuming more value than it creates.

5.6 Implications: The Collapse of Coordination

By collapsing perspectives into the employer frame, platforms engineered conditional belonging and trained job seekers into perpetual compliance with ever-changing algorithmic demands. This erodes the signals required for coordination, replaces human-to-human evaluation with opaque scoring systems, and locks participants into an unwinnable arms race.

This is not inefficiency at the margins — it is systemic structural collapse.

Without reciprocal feedback loops between stakeholders, the labor market cannot stabilize under current architectures. The adaptive capacity required for equilibrium has been removed by design.

Any recovery requires restoring trust infrastructure — systems that enable transparent, multi-perspective signaling where participants can evaluate one another and coordinate around shared reality. Sections 6.1–6.5 operationalize the mechanism; §6.6 states falsifiable predictions.

6. Weaponized Information Asymmetry: How Platforms Profit from Instability

If functional tension is the market, then information is the medium that allows that tension to work. In a functioning labor market, job seekers and employers send clear signals to each other:

- Job postings indicate demand.
- Applications indicate supply.
- Offers and wages signal valuation.

When those signals are visible, players coordinate strategies. That's what lets markets stabilize. But in online hiring, platforms have weaponized opacity — deliberately removing or distorting these signals to monetize churn.

This is not a side effect; it is t incentive-compatible with engagement-based revenue models.

6.1 How Opacity Breaks the Game

From a game-theoretic perspective [Stiglitz, 2001], labor markets are signaling games: equilibrium depends on participants accurately perceiving each other's moves. But online hiring platforms systematically hide key signals:

- Ghost Jobs → Platforms keep expired or fake postings live to drive clicks and engagement, inflating "opportunity" that doesn't exist.
- Hidden Salaries → Candidates can't evaluate trade-offs or optimize strategies without understanding compensation signals.
- Black-Box Filters → ATS algorithms reject candidates without explanation, destroying feedback loops job seekers need to adjust behavior.

- Omitted Quality Ratings → Employers' pipeline conversion rates, ghosting rates, and candidate satisfaction data are kept invisible — protecting vendors, not participants.

When signals are hidden or distorted, participants can't optimize strategies rationally. They're forced to comply blindly with invisible rules.

Hidden signals destabilize strategy.

A game where players don't know the rules is not a game; it's a trap.

6.2 The Mathematics of Instability

Information asymmetry transforms the labor market from a coordinating system into a non-convergent one:

- In stable signaling games, strategies adjust based on feedback until equilibrium emerges [Spence, 1973].
- When signals are missing or deceptive, participants over-apply, over-filter, and over-spend trying to compensate.
- These defensive strategies escalate endlessly, producing churn instead of convergence.

Platforms monetize this churn:

- More ghost jobs → more applications → more résumés → more employer filtering tools.
- More opacity → more dependency on premium boosts, sponsored posts, and AI "optimizers."
- More instability → more ad impressions, clicks, and engagement revenue.

The instability isn't accidental; it's structurally profitable. But the short-term vendor gain creates long-term systemic fragility: trust erodes, coordination collapses, and the market slowly loses the capacity to serve its stakeholders at all.

6.3 Information Asymmetry as Algorithmic Coercion

Because platforms dominate access to opportunity, job seekers cannot opt out without risking livelihood. This creates a coercive dynamic:

- Platforms design opaque ranking rules.
- Candidates are pressured to optimize résumés, keywords, and profiles for unseen criteria.
- Compliance becomes mandatory, but success remains unpredictable.

This creates algorithmic learned helplessness: participants are conditioned to "perform visibility" without receiving stability in return.

Their unpaid labor — refining résumés, applying hundreds of times, engaging with platform tools — becomes the product.

Platforms extract value from this compliance, yet participants receive diminishing returns. In this way, opacity converts human uncertainty into predictable revenue streams.

6.4 Breaking Principle 3: The Collapse of Two-Sided Trust

In my Theory of Online Market Gravity, Principle 3 shows that two-sided trust is the stabilizing force of marketplaces.

Without mutual visibility and reliable feedback, job seekers and employers cannot coordinate effectively.

When trust breaks:

- Job seekers mass-apply → Employers tighten gates → Recruiters chase irrelevant leads.
- More applications flood platforms → More automated filters reject candidates → More candidates apply to compensate.
- The spiral continues until everyone is playing defensively, destroying systemic efficiency.

This feedback loop explains why we see rising time-to-hire, declining conversion rates, and escalating reports of "talent shortages" despite record numbers of postings and applications. It is not a shortage of talent.

It is a collapse of signals.

6.5 From Opacity to Fragility

Donella Meadows [2008] notes that when systems suppress critical feedback, they lose the ability to self-correct. Online hiring has engineered this failure:

- Platforms optimize engagement, not efficiency.
- Employers optimize filtering, not matching.
- Job seekers optimize visibility, not alignment.

Each actor behaves rationally within their incentives, but the aggregate outcome is structural irrationality.

The market appears active but is functionally dysregulated — high energy, low resolution.

Without shared, trusted signals, the labor market has entered a non-convergent state: strategies escalate, instability compounds, and the system inevitably consumes more value from stakeholders than it creates.

This is the definition of extraction — and the root cause of collapse.

6.6 Empirical Predictions and Falsification

Empirical implications. The mechanism predicts measurable shifts when transparency and reciprocal feedback are introduced. We pre-register six hypotheses (H1–H6) and test them via (i) difference-in-differences around exogenous transparency shocks (pay-band laws), (ii) platform and employer pilots for job-status signals and structured rejection feedback, (iii) regional TJAP rollouts, and (iv) quasi-experimental variation in boost pricing. Primary outcomes include stale-posting rate, time-to-first-response, interviews per application, offers per application, employer ghosting index, seeker application intensity, and engineered-compliance proxies (keyword density drift, paid boosts, edit frequency). Failure to observe directional changes would falsify the mechanism.

H1 — Transparency shock realigns incentives

Claim (mechanism): Making pay visible restores signal fidelity and reduces engineered compliance.

Design: Difference-in-Differences using staggered salary-transparency laws (state/country), with occupation × region × time fixed effects.

Outcomes (signs):

- ↓ Applications per posting (−)
- ↑ Interview rate per application (+)
- ↓ Time-to-fill (−)
- ↑ Offer rate per interview (+)

Falsification: No measurable improvements post-law relative to control regions.

H2 — Mandatory job-status signals cut “ghost” churn

Claim: Auto-expiring posts + visible last-updated timestamps reduce stale listings and mass-apply behavior.

Design: Platform or regulator pilot (A/B or stepped-wedge) that requires machine-readable Open/Paused/Filled + last update; auto-lapse at N days without update.

Outcomes:

- ↓ Stale-posting rate (−)
- ↓ Applications per seeker per week (−)
- ↑ Time-to-first-response (+)
- ↑ Employer reply rate (+)

  Falsification: Status signals don’t reduce stales or change seeker/applicant behavior.

H3 — Public “ghosting rate” shifts employer behavior

Claim: Publishing employer-level ghosting indices (share of apps with no response) restores repeated-game discipline.

Design: Event study around public dashboard launch; employer-panel regressions with employer and week fixed effects.

Outcomes:

- For high-ghosting employers: ↑ Response rate post-exposure (+), ↓ Apps received (−)
- Market-level: ↓ Median time-to-first-response (−), ↑ Interviews/app (+)

  Falsification: Exposure doesn’t change response rates or applicant flows.

H4 — Review layer (TJAP) reduces engineered compliance

Claim: When seekers can evaluate pipeline quality, they optimize for employer fit, not algorithmic legibility.

Design: Regional rollout of TJAP (A/B markets). Track seeker behavior in platform telemetry + TJAP data.

Behavioral markers (engineered-compliance proxies):

- ↓ Keyword density drift in résumés/profiles (−)
- ↓ Paid boosts per active seeker (−)
- ↓ Profile edit frequency targeting ranking heuristics (−)

  Matching outcomes:

- ↑ Interviews/app (+), ↑ Offers/app (+), ↓ Apps/seeker/week (−)

  Falsification: No shift in proxies or conversion despite TJAP availability.

H5 — Actionable rejection feedback improves targeting

Claim: Exposing **ATS reasons** (e.g., missing credential X) re-establishes feedback loops and reduces non-convergence.

Design: Employer-side pilot with structured rejection codes shown to candidates; DiD across participating vs. non-participating employers.

Outcomes:

- ↓ Reapplications to clearly unqualified roles (−)
- ↑ Subsequent interview rate for the same seekers (+)

- ↓ Employer filter tightening events (−)

  Falsification: Feedback doesn't reduce mis-targeted applications or improve conversion.

H6 — Visibility spend buys engagement, not matches

Claim: If platforms monetize compliance, paid boosts raise impressions/applications but not hiring success.

Design: Instrumented price changes or spend caps; two-stage model of impressions → clicks → interviews → offers.

Elasticities to estimate:

- ↑ Impressions w.r.t. spend ($\varepsilon_{impr,spend} > 0$)
- ≈ 0 change in interviews/app and offers/app w.r.t. spend ($\varepsilon_{conv,spend} \approx 0$)

  Falsification: Boost spend materially increases interview/offer conversion controlling for quality.

Section 6 Summary

I show that online hiring platforms deliberately weaponize information asymmetry to profit from instability. By hiding signals, erasing memory, and coercing blind compliance, they break the basic mechanisms that make markets work.

- Functional tension collapses because perspectives are suppressed.
- Signals fail, so strategies cannot coordinate.

- Platforms monetize churn, creating an illusion of abundance while engineering scarcity.

This architecture converts job seekers' unpaid labor into predictable vendor revenue, but at the cost of eroding the adaptive capacity of the system itself.

A labor market that cannot see itself cannot sustain itself.

7. Implications for Market Redesign: Rebuilding Functional Tension

The current online labor market isn't just inefficient — it's structurally incoherent.

By collapsing stakeholder perspectives, removing trust mechanisms, and monetizing instability, platforms have stripped away the adaptive capacity that makes markets work.

But this also means the path forward is knowable:

To rebuild stability, we must rebuild functional tension.

In my Theory of Online Market Gravity, I show that a labor market's stability comes from its balancing forces — job seekers, employers, policymakers, and platforms, all exchanging signals that create adaptation. When these signals are restored and reciprocated, the system can coordinate again.

The redesign imperative is clear: return the market to its stakeholders.

7.1 What a Functioning Labor Market Requires

A functioning labor market is not just a job board — it's a coordination system.

It depends on three interlocking dynamics:

1. Functional Tension *(Principle 2)*

- Employers and job seekers must be visible to each other, negotiating in ways that reflect real demand and real capability.
- Without this push-pull, no pricing mechanism exists, and equilibrium is impossible.

2. Trusted Signals *(Principle 3)*
    - Job seekers need visibility into job quality, hiring pipelines, and employer behaviors.
    - Employers need trusted indicators of candidate readiness, engagement, and satisfaction.
    - Without trusted signals, the system defaults to defensive strategies and self-reinforcing inefficiency.
3. Inclusive Feedback Loops *(Principle 1)*
    - Systems adapt when all perspectives are integrated into their measurement logic.
    - Platforms currently optimize for engagement, not outcomes, excluding the very stakeholders sustaining the system.
    - A labor market that measures the wrong thing inevitably optimizes instability.

These three forces — tension, trust, and feedback — are the labor market.

Remove any one, and collapse isn't a possibility; it's a design guarantee.

7.2 Why Today's Platforms Cannot Self-Correct

Current hiring platforms were not designed as marketplaces; they were designed as engagement engines. Their incentives are structurally misaligned:

- Platforms monetize churn, not matches.
- Employers optimize cost, not coordination.
- Job seekers are forced into visibility games that produce neither security nor clarity.

Because their revenue models profit from instability, they cannot self-correct without abandoning their business models. As Zuboff [2019] shows in *Surveillance Capitalism*, when a platform profits from participant dependency, its growth incentives diverge from systemic health.

This is why policy levers have struggled — you cannot regulate "better matches" into a system designed to profit from friction.

You need new infrastructure — tools that rebuild the missing trust layer.

7.3 TJAP: A Proof-of-Concept for Restoring Adaptive Capacity

The Job Applicant Perspective (TJAP) is one example of redesigning for structural coherence rather than short-term platform profit.

Its core function isn't "just another job board" — it's a market signal restoration tool:

- Anonymous Job Ad Reviews
    - Job seekers flag ghost jobs, fake postings, and broken pipelines, restoring visibility into real market conditions.
- Crowdsourced Hiring Feedback

    - Captures lived experiences to close feedback loops platforms erased.

- Shared Market Signals

    - Aggregates data into usable insights for job seekers, employers, and policymakers, enabling mutual coordination.

    - We also track applicant targeting entropy (dispersion of roles applied to per seeker) and stale-posting half-life (days until status update).

By rebuilding memory and restoring perspective multiplicity, TJAP enables the kind of adaptation a labor market requires to stabilize.

It operationalizes the missing principle of two-sided trust while proving that stakeholder-centered design can create value instead of extracting it.

7.4 Implications for Policymakers, Platforms, and Researchers

This is not just a product design problem — it's an economic infrastructure problem:

- For Policymakers → Invest in transparency standards. Require platforms to expose job status, conversion rates, and hiring outcomes. Without shared signals, markets cannot equilibrate.

- For Employers → Treat job seekers as co-stakeholders in hiring ecosystems, not passive inventory. Prioritize trust over volume to reduce systemic churn.

- For Platforms → Redesign incentive models around verified outcomes, not endless engagement. Monetize success, not dependency.

- For Researchers → Stop modeling job seekers as passive supply. Incorporate lived experience as an active input — an epistemic shift essential to any realistic labor-market model.

Without these shifts, the "talent shortage" narrative will continue to mask what's actually happening: a structural signal collapse that platforms profit from but cannot sustain.

7.5 From Collapse to Reconstruction

Bonhoeffer's framing of perspective collapse showed how systems that privilege one dominant view lose coherence over time.

Meadows [2008] demonstrated that when feedback is suppressed, systems enter runaway instability.

Stiglitz [2001] proved mathematically that hidden signals prevent coordination and guarantee non-convergent equilibria.

My Theory of Online Market Gravity brings these strands together:

- A labor market is its functional tension.
- When vendors extract more value than they return, that tension collapses.
- When tension collapses, the market stops adapting.
- When it stops adapting, it projects instead of reflects — breaking the very principles that sustain it.

A marketplace that projects while extracting is not a marketplace at all — it's a temporary churn machine. And churn machines eventually burn out their fuel: us.

Section 7 Summary

I show that the structural collapse of online hiring markets is neither accidental nor inevitable — it's a direct result of design decisions that removed visibility, trust, and stakeholder voice.
But the same principles that diagnose failure also point the way to rebuilding stability:

- Restore functional tension between stakeholders.
- Rebuild shared, trusted signals that enable coordinated strategies.
- Re-center stakeholder reciprocity over vendor profit.

Until we correct the structural incentives, platforms will continue to monetize dysfunction while destabilizing the very labor force they depend on.
TJAP demonstrates that redesign is possible — and urgently necessary.

8. Conclusion and Limitations

The findings in this paper suggest that the structural collapse of online hiring markets is not an accident of inefficiency but a predictable consequence of platform design.
I show that when systems suppress stakeholder voice, they remove functional tension — and functional tension is the labor market.

Without mutual visibility between job seekers and employers, platforms no longer act as coordinating marketplaces.
Instead, they become extraction engines — monetizing churn, dependency, and opacity while eroding systemic trust.
This loss of adaptive capacity creates a structurally non-convergent market: strategies escalate, signals fail, and equilibrium becomes functionally unattainable under current design

However, while these dynamics are consistent with insights from systems theory [Meadows, 2008], game theory [Stiglitz, 2001], and platform studies [Zuboff, 2019], several limitations should be acknowledged:

8.1 Scope and Context

- This paper focuses primarily on U.S.-based labor markets and major hiring platforms. While the principles of functional tension, signaling, and extraction likely generalize across global labor systems, cross-cultural variation may reveal additional dynamics not captured here.
- Similarly, while TJAP is positioned as a proof-of-concept for restoring trust and visibility, its data and impact are still developing. A larger empirical evaluation would strengthen claims about its broader applicability.

8.2 Methodological Constraints

- This paper integrates findings from multiple disciplines — systems theory, economics, sociology, and platform design — but does not perform formal mathematical modeling. The arguments about non-convergent equilibria draw on game-theoretic principles but remain primarily conceptual rather than formally derived.
- Likewise, while the framework synthesizes existing literature and observed patterns, it does not rely on large-scale econometric analyses or randomized experiments. Future work should test these hypotheses using empirical labor-market data.

8.3 Future Directions

These limitations point to several promising areas for further research:

- Modeling Feedback Dynamics:

  Using formal systems models to simulate the impact of suppressed stakeholder signals on labor market stability.

- Measuring Extraction:

  Quantifying the economic value of unpaid job seeker labor, platform-driven churn, and hidden algorithmic incentives.

- Evaluating Market Redesign:

  Empirically testing the effects of reintroducing trust signals — reviews, verified job status, quality ratings — on efficiency, coordination, and hiring outcomes.

8.4 Final Reflection

Despite these limitations, the central claim stands:

A labor market that removes stakeholder voice erases the very mechanism that sustains it. Without functional tension, the system stops adapting, stops coordinating, and begins extracting.

This is not a story of inefficiency; it is a story of structural failure, and it is already unfolding. But failure is not final. By restoring transparency, shared signals, and reciprocal value flows, we can reintroduce the dynamics that make a market a market — and re-center the labor system around the stakeholders it exists to serve.

Sarah Springsteen Trumble (Corresponding Author)

The Job Applicant Perspective (TJAP)

Email: saraht@thejobapplicantperspective.com | ORCID: 0009-0001-1593-3212

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